

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01

CEA-02 SCEM-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 PA-03 PRS-01 USIA-15 L-03

INT-08 DRC-01 /191 W

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R 190002Z SEP 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6862

INFO AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

C O N F I D E N T I A L TOKYO 12071

BEIRUT PASS USINT BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, JA, IZ

SUBJ: DISCUSSIONS ON JAPAN-IRAQ OIL DEAL

SUMMARY: JAPANESE OIL INTERESTS NOW DISCUSSING POSSIBILITY OF PURCHASE OF 10 MILLION TONS PER YEAR OF OIL PLUS QUANTITY OF LIQUIFIED PETROLEUM GAS FROM IRAQ. GOJ REPORTEDLY PREPARED TO OFFER \$500 MILLION IN SOFT LOANS IN RETURN FOR INOC LONG TERM SUPPLY COMMITMENT. ACCORDING MITSUBISHI OFFICIAL, HOWEVER, ONLY IRAQI FINANCIERS THUS FAR BEHIND DEAL, AND INOC POSITION IS IN DOUBT. END SUMMARY.

1. JAPANESE OIL INTERESTS, HEADED BY KYSHU OIL DEVELOPMENT CORP, AND TOYO MENKA TRADING CO, HAVE RECENTLY HELD DISCUSSIONS IN IRAQ REGARDING MAJOR PURCHASE OF OIL AND
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LIQUIFIED PETROLEUM GAS FROM THAT COUNTRY. PRESS REPORTS

OVER LAST WEEK CLAIM THAT FIRM AGREEMENTS HAVE BEEN CONCLUDED BETWEEN JAPANESE AND INOC, SPECIFYING EXPORT TO JAPAN OF 100 MILLION TONS OF OIL OVER NEXT TEN YEARS AND 30 MILLION TONS OF LIQUIFIED PETROLEUM GAS OVER NEXT 15 YEARS.

2. ACCORDING GEORGE WATANABE, WHO RESPONSIBLE FOR IRAQI OIL MATTERS FOR SUMITOMO TRADING CO, HOWEVER, NO CONTRACTS HAVE YET BEEN CONCLUDED. WATANABE CONFIRMED THAT JAPANESE HOPE TO RECEIVE AMOUNTS CITED IN PRESS REPORTS, AND NOTED THAT DISCUSSION NOW UNDERWAY IN JAPAN ON FORMATION OF NATIONAL CONSORTIUM OF COMPANIES TO HANDLE THE PROJECT. WATANABE ALSO NOTED THAT JAPANESE GOVERNMENT PREPARED TO OFFER IRAQ \$500 MILLION IN SOFT LOANS FOR DEVELOPMENT IN RETURN FOR IRAQI EXPORT COMMITMENTS. WATANABE SAID SUMITOMO NOT DIRECTLY INVOLVED, BUT MITSUBISHI PLAYING IMPORTANT ROLE.

3. TAKAGI, DEPUTY HEAD OF MITSUBISHI CORP'S PETROLEUM IMPORT DIVISION GAVE EMBOFF ACCOUNT SIMILAR TO WATANABE'S SEPT 18. TAKAGI ADDED HOWEVER THAT JAPANESE EXPECTATIONS OF 10 MILLION TONS OF CRUDE PER YEAR BASED ON RESULTS OF RECENT VISIT TO BAGHDAD BY TOYO MENKA GROUP. PROBLEM, HOWEVER, WAS THAT TOYO MENKA HAD NOT SPOKEN WITH IRAQI GOVERNMENT OFFICIALS NOR WITH INOC, BUT WITH GROUP OF IRAQI FINANCIERS PROMOTING PROJECT WHICH WOULD GREATLY EXPAND PRODUCTION OF NORTH RUMALIA FIELDS. MITSUBISHI CORP ON ITS OWN, TAKAGI SAID, HAD SENT ITS BEIRUT REPRESENTATIVE TO BAGHDAD FOR DIRECT DISCUSSIONS WITH INOC, AND FOUND INOC OFFICIALS UPSET OVER JAPANESE PRESS REPORTS OF CONTRACTS WITH INOC. TAGAKI ALSO SAID GOJ PREPARED TO APPROVE \$500 MILLION IN SOFT LOANS TO IRAQ, BUT ONOY ON CONDITION INOC AGREES TO LONG TERM SUPPLY COMMITMENT FOR "REASONABLE QUANTITY" OF OIL AND LPG.

4. TAKAGI ADDED THAT SEMI-GOVERNMENTAL JAPAN PETROLEUM DEVELOPMENT CORP (JPDC) PLANNING TO SEND TEAM TO IRAQ SHORTLY TO DISCUSS NEW CONCESSION AREA WITH GOVERNMENT OFFICIALS. MITI, HOWEVER, TAKAGI SAID, WAS PRESSING JPDC TO ATTEMPT TO CLARIFY POSITION OF INOC AND IRAQI GOVERNMENT ON SALE OF CRUDE AND LPG TO JAPAN.

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